

HB 2601: Treasury Investment and Climate Protection Act

Chief Sponsors: Rep Khanh Pham, Rep Mark Gamba, and
Sen Jeff Golden

Co-sponsors: Rep Chaichi, Dexter, Walters; Senators
Campos, Dembrow, Jama

HB 2601 Bill Summary

- Ends NEW investments in fossil fuels immediately
- Establishes a plan to end existing carbon-intensive private investments, as soon as is allowed by fiduciary duty and statute
- Transparent phase out complete by 2035
- Strong public transparency and progress reporting

The New York Times

OPINION

GUEST ESSAY

Treasurer Read in a September 2022

"Climate change is already affecting the profitability of entire industries in which my fund is invested. Fires, floods and droughts are snarling supply chains and destroying property. It is clear that we need to consider which of our pension fund assets are most exposed."

"I encourage those charged with oversight of state funds and pension funds to return to the core values we all share: Transparency and accountability are good for investors."

It's not a question of **IF** climate change risks require change,

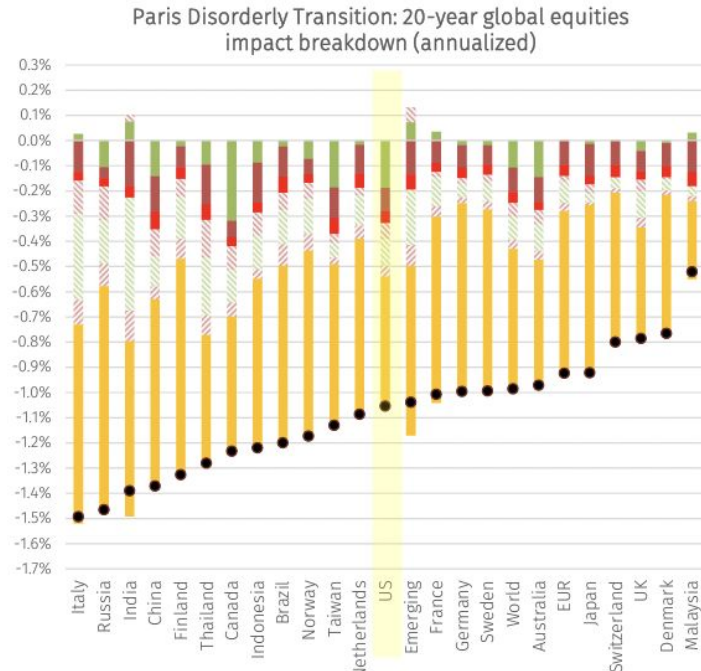
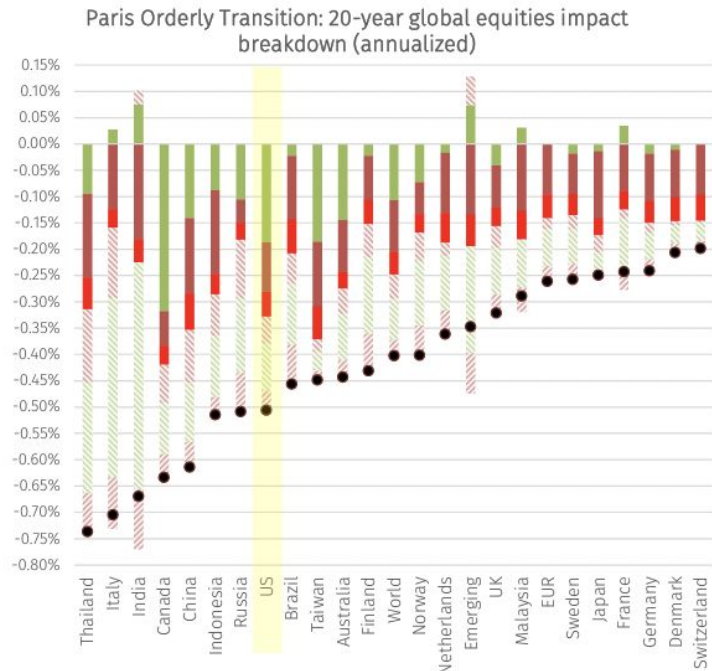
but **HOW** and **WHEN** fossil fuel investments are phased out

ORTEC climate risk assessment Oct 2021

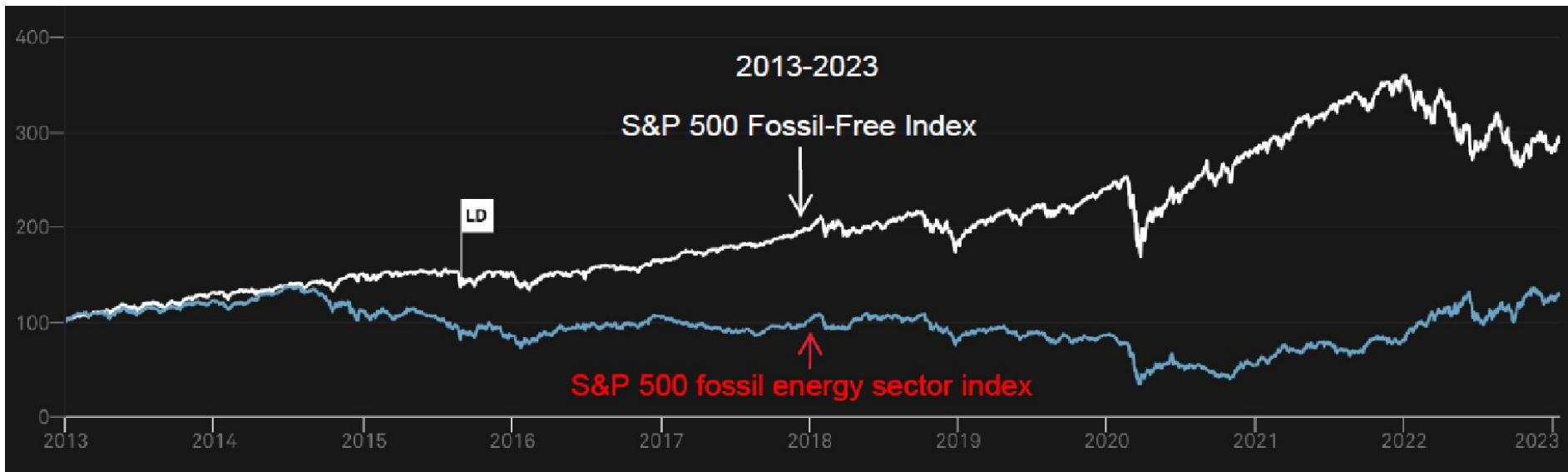
How do other countries rank in terms of climate impacts?

Equity returns are one of the least resilient asset classes and suffer both from transition and physical risk drivers.

- Transition impacts on equity returns are significantly more severe if the transition happens in a disorderly manner.
- Under both transition scenarios, the US ranks among the most impacted regions although not as much as Canada.



Fossil Fuel Investments have Underperformed



- In the last 10 years, even with the Ukraine war volatility, it is up only 2.5% annualized.
- This compares with the return on the S&P fossil free index return of 11% annualized - and that is AFTER the major overall market downturn.

Oregon is one of the world's most dominant investors in private investments

- **Secret Investments**
- **Limited Control over investment choices**
- **Unknown Valuation:** Returns on investments are set by private asset managers – not by a public stock market
- **Not Liquid:** Lengthy investment contracts – up to 10-12 years!

High level insights - Sector Risk MAPS

Averaging the sector quintiles across all regions, combining results from the two transition scenarios to inform systemic transition exposure and using the failed transition to inform physical risk.

Sector quintile score (low = worse) across all regions

Sector/activity	Transition quintile	Physical risk quintile	Combined	RiskRank
Consumer discretionary	2.4	1.2	1.8	1
Oil and gas	1.4	3.0	2.2	2
Coal and manufactured fuels	1.1	3.4	2.2	3
Fossil based utilities	1.0	4.0	2.5	4
Forestry	3.0			
Health	3.1			
Financials	3.0			
Telecom	3.3			
Industrials	3.9			
IT	3.7			
Consumer staples	3.4			
Materials	3.4			
Real estate	3.1			
Nuclear	2.8	4.1	3.4	14
Water supply	3.5	3.5	3.5	15
Public administration and defense	3.1	4.1	3.6	16
Other Low carbon and biobased electricity	4.1	4.0	4.0	17
Wind and solar	4.5	4.1	4.3	18

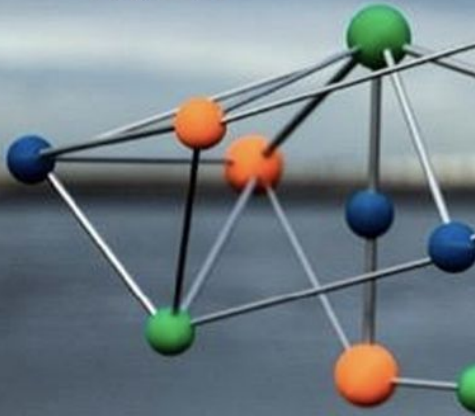
Top sectors with the most risk are oil and gas, coal and manufactured fuels, and fossil based utilities. These are high risk sectors to drop fast.

A key takeaway from this table could be a prioritization for deeper analysis of holdings within these sectors

Key Takeaways from ORTEC (Treasury consultant) (Feb 2022)

Climate Risk Scenario Modelling Public equity sector deep dive

Feb 2022



Holding onto PERS public equity fossil fuel investments is a big financial loser

Divestment of fossil fuel investments would provide a financial gain to PERS

In a disorderly transition to a green economy, the public equity portfolio would improve its performance by 14.5% annually over the next 5 years if its fossil fuel holdings **were divested.**

Ending investments in fossil fuels
is the responsible path to ensure

Future Financial Performance of PERS

and

**The Protection of Oregon's Natural Resources and the
Ecosystems on which our Lives Depends**

